

Turning Opportunity Into Results

March 6, 2015 State of the City Address

Mayor Jonathan Rothschild

INTRODUCTION

Good afternoon. Welcome to the 2015 State of the City Address. I'd like to thank the Tucson Metropolitan Chamber of Commerce and the J.W. Marriott Starr Pass Tucson for hosting this year's event, and I'd like to thank the Chamber for sharing proceeds with three local nonprofits: Arizona's Children Association's KARE Family Centers, Emerge!, and Mobile Meals of Tucson.

KARE Family Centers help families caring for children born to others – because the birth parents are incarcerated, deceased, addicted, or for any other reason. Emerge! provides domestic abuse crisis intervention, housing, and support to anyone experiencing domestic abuse. Mobile Meals helps preserve the health and independence of homebound adults by delivering special diet meals.

Cities can become prosperous, but unless they help those who are struggling, they're not really successful. Organizations like these, and the services they provide, are essential. Please join me in thanking the Chamber for its contribution and these nonprofits for their work.

I'd like to thank my colleagues on the City Council, Interim City Manager Martha Durkin – who's doing a great job – city staff, my staff, and the many individuals and organizations who worked with our office on a number of initiatives last year and continue to do so.

Thanks also to my wife, Karen, and family, for their love and support, and for allowing me to seek a second term as your mayor.

This is my fourth State of the City Address. I've talked about making Tucson work – and we are: ending the Rio Nuevo dispute, creating the city's Economic Initiatives Office, and streamlining processes at Planning & Development Services.

I've talked about doing more together than alone – and we are: partnering with business, government, and nonprofits to open swimming pools, increase our water security, and end veteran homelessness.

I've talked about Tucson in transition – and we are: moving from the Five C's to the Five T's of technology, trade, transportation, tourism, and teaching, and coming together as a community to lay the groundwork for growth in each of these areas.

Today, I want to talk about opportunity. Economic, social, and civic opportunity. Turning opportunity into results.

ECONOMIC OPPORTUNITY

First, economic opportunity.

I've met with many business owners and toured their facilities, at the invitation of the Arizona Technology Council and others. We have new and growing businesses throughout Tucson and Southern Arizona – companies reaping the rewards of opportunity identified and pursued.

Companies like QuakeWrap. Founded by University of Arizona Professor Emeritus Mo Ehsani, QuakeWrap manufactures fiber-reinforced polymers to repair and strengthen infrastructure, with many applications – including blast protection for the new United Nations building in Beirut. QuakeWrap has grown its workforce more than 600 percent in less than two years. At the same time, with help from the Arizona Commerce Authority, export sales grew more than 1500 percent, to in excess of one million dollars.

Tucson has many such success stories, but we need more. We need to turn promising ideas into businesses – turn opportunity into results.

That's why, in 2014, the city awarded a modest sum to Startup Tucson, which has since gone on to win a highly-competitive 1.44 million dollar five-year contract from the U.S. Small Business Administration to help high-potential, primed-for-growth companies reach the next level.

That's why, in 2013, the city partnered with the University of Arizona's Tech Launch Arizona to create the Commercialization Network Alliance, bringing together expertise from the community, the university, and its alumni to help local entrepreneurs.

Tucson researchers are patenting discoveries at nearly twice the rate of those in Phoenix – more opportunity. In fact, technology commercialization at the U of A had its best year to date last fiscal year, with 167 patents filed and 24 issued, 72 licenses executed, and 11 startups created.

Our strengths in technology, STEM, and entrepreneurship are why Tucson was named one of five "emerging entrepreneurial hubs" in the United States by *Entrepreneur Magazine*.

Of course, patents and startups aren't all that comes out of our university. To keep more graduates in our community, we worked with the University of Arizona's STEM Learning Center, hosting a STEM Internship Business Forum and streamlining the process for employers to get interns – from the U of A, Pima, JTED, and area high schools.

Internships help students, who get the one or two years of industry experience employers want. They also help employers, who get up-to-date skills at low cost, as well as a preview of potential new hires.

I encourage Tucson businesses to take advantage of this opportunity. Hire an intern, or add to the interns you already have. The University of Arizona, Pima Community College, Pima County One-Stop, Pima County JTED, and area high schools are ready to work with you. Connect with these resources and you'll find the workforce you need – right here in Tucson.

We're also working with state and regional partners to make sure we meet specific industries' workforce needs, forming sector partnerships in aerospace and defense; architecture, construction, and engineering; healthcare; logistics; and manufacturing. My thanks to the Pima County Workforce Investment Board and TREO for reinvigorating this idea in our community. Done right, sector partnerships can be engines of opportunity, with members identifying and pursuing common goals.

Some goals can only be achieved by working together.

The City of Tucson is working with Pima County, the State of Arizona, our congressional delegation, the business community, and others to develop the best possible case for Southern Arizona's military installations, which play a vital role in our national defense and our regional economy.

Aircraft maintenance; command and control; communications; electronics; engineering; intelligence, surveillance, and reconnaissance; pararescue; UAVs – Davis-Monthan hosts a wide variety of missions. And Tucson's airspace, flying weather, and location – our aerospace and defense sector, and our university – all continue to make Southern Arizona a strategic choice for both training and operations.

We know the Department of Defense is consolidating infrastructure in Europe. Our goal is to position D-M as a central operations base with the command and control, air support, and logistics, to mount a comprehensive response to crises wherever they arise. A united approach can help us accomplish this goal.

Healthcare is another critical sector, not only for the jobs it brings and the services it provides, but because healthcare, like education, is a key factor businesses look at in determining where to locate and where to grow.

In Tucson, we're seeing some of the national trend toward consolidation. While Tucson Medical Center remains locally-controlled, the University of Arizona Health Network has been acquired by Banner Health, and Carondelet Health Network is being acquired by Tenet Healthcare and Dignity Health. We welcome these new networks to our community, and look forward to working with all our healthcare providers to create a healthier Tucson.

Though competitive, our healthcare sector can and does work together toward common goals, producing great results.

In 2013, Pima County's uninsured rate was 17 percent – nearly one in five. In 2014, the first year of the Health Insurance Marketplace, that rate dropped to 10 percent. One in ten – a great accomplishment for the many groups that helped with outreach, and a great result for this community. In economic terms, people who have access to healthcare are more productive. In human terms, they're healthier – and that's everything.

Renewable energy is another tech sector with great promise for Tucson – especially solar.

Utility-scale solar at Tucson Water's land in Avra Valley is going strong, with the two installations producing a total 59 megawatts of power.

And, TUSD has begun installing solar at 42 sites, which is expected to save the district more than 11 million dollars over 20 years. Renewable energy yields results.

After technology, three more T's: trade, transportation, and tourism.

Mexico at our doorstep – the world's 15th largest economy, forecast to be 5th largest by 2050 – creates opportunity for Tucson. Expanding I-10, I-19, freight and passenger rail, creates opportunity for Tucson. Opportunity for regional economic cooperation. Opportunity to provide manufacturing and professional services, supply chain, research and development, marketing, and logistics. Opportunity to host international branch offices, as well as corporate headquarters.

Last year, the City of Tucson opened trade offices in Hermosillo, Ciudad Obregón, and Mexico City – in Hermosillo and Ciudad Obregón, with Visit Tucson's tourism office, Vamos a Tucson, and in Mexico City, with the Arizona Commerce Authority, the City of Phoenix, and others. These offices are not just for the benefit of economic development staff; they're also available to local businesses.

We continue to advocate for improvements to SR 189, the four-mile bypass route that connects I-19 and the expanded Mariposa Port of Entry. That project is now included in the Arizona Department of Transportation's current five-year construction program. We're working with PAG and MAG, the Pima and Maricopa Associations of Governments, to accelerate the project further. Tucson is a gateway to Mexico and the United States. Having the north-south transportation infrastructure to take advantage of that is a matter not just of local, but of state and national concern.

More than 1,200 companies in Arizona and Sonora signed up for the Arizona-Sonora Business Resource Guide – a resource for anyone interested in the high-value, low-cost manufacturing

capabilities of the Arizona-Sonora Binational Megaregion. Together with our counterparts in Sonora, we've joined the ranks of other manufacturing megaregions, such as Chi-Pitts and Chantala. And, we're attracting international attention for our access to manufacturing and logistics in both Mexico and the United States.

More than 300 business and government leaders, from both sides of the border, attended our first Borderlands Trade Conference last May. With generous support from a number of sponsors, and experts volunteering their time, we put practical knowledge in the hands of people looking to grow their businesses and help their business constituents.

Programs like this, and the city's commitment to promoting international trade, earned Tucson a listing as one of the 10 best cities for export assistance in the United States by *Global Trade Magazine*.

So, how are we doing with exports?

The U.S. Department of Commerce has released data for 2014. Let's look at some of the states we're often compared to.

Texas exports were up 3.4 percent from 2013.

California was a little better: up 3.6 percent.

Arizona – any bets where we stand? Can we measure up to the competition?

Arizona's 2014 exports: up 8.8 percent from 2013.

That's overall. Exports to Mexico, our top trading partner, were up 22.2 percent, to more than 8.6 billion dollars. Tucson is no small part of that, contributing, on average over the last two years, 15 percent of the state's total exports. International trade yields results.

Trade depends on roads, rail – and air.

Tucson International Airport broke ground on a new control tower, replacing the second-oldest commercial air traffic control tower in the country with the newest. This 42 million dollar investment from the Federal Aviation Administration is most welcome, and the Tucson Airport Authority is to be congratulated.

TIA also opened a Trusted Traveler Program Enrollment Center, so Tucsonans who want to clear customs through a kiosk no longer have to go to Phoenix or Nogales to enroll.

Infrastructure that facilitates trade is important, but so is local infrastructure.

St. Mary's Road improvements were completed last year as part of Downtown Links – connecting I-10 to Barraza-Aviation Parkway – and Phase III, from Church Ave. to Broadway, is completing design. The end is in sight for this decades-long, multimodal project, with features for cars, transit, bikes, and pedestrians.

Multimodal is important, as demand for choices in transportation is increasing. People are driving less and using transit more, and this trend predates the recession. Even before the streetcar launched, transit use in Tucson was up 24.5 percent from 2005 to 2010. In fact, Arizonans today drive fewer miles per person than they did in 1994 – more reason to plan for additional transit in any reauthorization of the RTA.

Streetcar ridership and revenue continue to exceed expectations, and the streetcar's contribution to downtown redevelopment can hardly be overstated.

Our next multimodal challenge is to make our streets safer for bikes and pedestrians – to move from a gold level bike-friendly city, to platinum. Education is part of that, and so is engineering. 40 new infrastructure projects to improve bike and pedestrian access and safety are funded and in design, including 11 new signals to help bikes and pedestrians cross busy streets.

Thanks to falling gas prices and smart management by the city's Department of Transportation, in the first year of our five-year streets bond, the city resurfaced 241 lane miles at a cost 11.7 million dollars less than projected. Every dollar from the streets bond goes to pavement, so by the time we're done, we anticipate paving an additional 650 to 700 lane miles, for a total of roughly 1700 newly-resurfaced lane miles. That's turning opportunity into results.

In fiscal years 2015 and 2016, we pick up the pace. Not only are we under budget with the streets bond, we're ahead of schedule. This is a program I want to see renewed, so we buy ourselves another five years of road work without having to raise taxes.

City crews are fixing potholes as fast as they can – as they're reported, with priority given to those on high-traffic, high-speed streets. But potholes come back, and the pavement treatments we're able to do thanks to the streets bond – fog seal to mill and overlay, preservation to restoration – are the correct, the long-term approach to fixing our streets.

From trade and transportation, to tourism.

We introduced two new festivals last year – the HSL Properties Tucson Jazz Festival, held in January (and very successful) – and the Tucson Festival of Films – a “best of” festival of eight of our local film festivals, to be held in October. With promotional help from Visit Tucson, the hope is for both to grow and become destination festivals, bringing tourists here before our peak season.

Not too many years ago, few saw opportunity in our downtown. How times have changed. Even Scarlett Johansson loves downtown Tucson.

Johnny Gibson Downtown Market is under construction, with opening planned for the spring. After years of trying, we have not one, but two, downtown hotels in the works – a seven-story AC Hotel Marriott, to be located on Fifth Avenue between Broadway and Congress, and a 140-room hotel on the northeast corner of Euclid and 4th, with retail space and underground parking. A third hotel, a Residence Inn Marriott, is planned for Tyndall and 2nd.

Having a Central Business District and GPLET incentive, a Primary Jobs Incentive, a Site-Specific Sales Tax Incentive, and other financial and assistance programs – these are making it possible for the city to get the right development, in the right place.

We know it can be cheaper to develop vacant land. But we don't want sprawl. Sprawl hurts everyone. So we incentivize infill, and with the incentives the City of Tucson offers, everybody wins. Just last year, our Primary Jobs Incentives helped create 456 new jobs – jobs that pay, on average, more than 67,000 dollars.

For most of us, opportunity starts with a job – and the education and training you need to get one. Industry reached out to students last year with two firsts that I hope become annual events: the Tucson Manufacturing Block Party, which served as an open house for customers and suppliers as well as a career fair for students, and Southern Arizona Construction Career Days, which brought students to the Tucson Rodeo Grounds.

Our office held a job fair for veterans, along with Employer Support of the Guard & Reserve, Hero 2 Hired, and Tucson Veterans Serving Veterans. 74 veterans and servicemembers were hired.

We also held a job fair for returning citizens – returning from incarceration. Employers with experience hiring returning citizens – such as Johns Hopkins, in Baltimore – have found them to be loyal, capable workers, happy for a second chance. With social service agencies there to offer support, as well as employers, more than 65 returning citizens were hired. We're planning another Second Chance Job Fair this spring.

Every business that extends a helping hand – whether to students, veterans, or returning citizens – deserves our thanks. Everyone should have the opportunity to succeed.

SOCIAL OPPORTUNITY

For that to happen, however, we need social opportunity, as well as economic opportunity. We need access to resources that prepare us for success, sustain us through tough times, and improve our quality of life – starting with a good education.

Last year, with funding from the Helios Education Foundation and assistance from WestEd, the Arizona Mayors Education Roundtable released a report on the high cost of dropping out – to the economy (per dropout, nearly 383,000 dollars) and to local and state governments (per dropout, more than 58,000 dollars). You would hope information like this would get state lawmakers to take notice, and fully fund our public schools. Yet, at the state level, Arizona continues to inadequately fund K through 12 education – ranking at or near the bottom in per-pupil spending.

At the local level, we continue to work with and support our public schools.

With Tucson Unified School District, we held two Steps to Success Walks, knocking on doors of dropped-out high school students with teams of community volunteers and district staff. Chief Villaseñor, Chief Critchley, University of Arizona athletes, and business and community leaders participated in these walks. These kids need to hear from adults in the community that we want them to succeed, that they have what it takes to achieve. You'd be surprised, but the mayor or the school superintendent knocking on your door – sometimes waking you up – and asking you to get back in school, has an effect. Of the students targeted, 269 re-enrolled. That's giving back opportunity.

We worked with Literacy Connects to recruit volunteers to work with children and adults – adults who are English language learners or never learned to read, and children in grades K through 3 who are struggling readers, primarily in Title 1 schools.

And, we worked with Pima Community College Adult Education, the University of Arizona School of Education, Literacy Connects, and Sunnyside School District to bring a literacy immersion program called Teach the Parent, Reach the Child to Mission Manor Elementary School, a Title 1 school.

Literacy volunteers open the world to those they teach. They help adults overcome barriers to employment. They help children overcome barriers to achievement. We need many more, and I encourage anyone who loves to read to share that gift as a literacy volunteer.

During the school year, I try to visit a classroom and read to children once a week. Through that experience, I've found a new favorite in children's literature: *Pete the Cat*. If you haven't run across Pete in reading with your children or grandchildren, let's just say he's not a complainer.

We're partnering with TUSD on a school attendance program, Count Me In!, and placed an AmeriCorps VISTA member in the district to help with the program. Teachers work with parents and students to set attendance goals. Those who meet their goals are eligible to win prizes from participating museums and attractions. Missing just two days of school a month – 18 days a year – can knock students off track, making them less likely to graduate.

We're partnering with United Way of Tucson and Southern Arizona on their Cradle to Career initiative to improve educational outcomes throughout the region. We've submitted a proposal to bring AmeriCorps VISTA members to Tucson to create community schools at participating sites – where families can find social services, as well as educational services. That's giving access to opportunity.

Elected officials need to hear from the business community that fully funding K through 12 education is not just a priority, but a necessity – a pro-business necessity. I want to thank the Tucson Metro Chamber for sending a letter to Governor Ducey and legislative leadership urging increased funding for our public schools. That's the kind of business leadership we need.

When faced with tough social problems, we can take the opportunity to make a point, or we can take the opportunity to get to work.

Last year, we continued our push to end veteran homelessness in Tucson. We have a deadline: December 31, 2015.

To date, our 14 partner agencies, including the city's housing department, have housed 920 formerly homeless veterans – more than halfway to our goal.

This is not always an easy population to serve. About half of those housed were chronically homeless, some having lived on the streets for decades. Many thanks to all involved in this challenging work.

We end homelessness with housing – permanent housing – and supportive services. We end homelessness by sharing information and procedures, so no matter which agency a person goes to, the right services are accessed. We end homelessness with hard work, not headlines.

Last year brought two new housing programs to Tucson. Ready, Set, Own!, a program of Radian, provides education to help prospective home buyers become successful home owners.

NeighborhoodLIFT, a program of Wells Fargo and NeighborWorks America, worked with Primavera Foundation to provide 5.5 million dollars in education, down payment assistance grants, and support for local initiatives. 252 families and individuals qualified for the 15,000 dollar grants, available to low- and moderate-income home buyers, and 207 have already moved from renting to home ownership. I was very pleased to welcome both programs to Tucson. Home ownership strengthens neighborhoods, and can help families build financial security.

Less than 50 percent of Tucson's homes are owner-occupied. Increasing home ownership – especially renovating homes that are dilapidated or abandoned – is an opportunity for the right contractor.

While home ownership strengthens neighborhoods, graffiti has the opposite effect.

I've asked staff and my colleagues on the council to give increased priority and resources to graffiti enforcement and abatement.

With cooperation from the community, we can greatly reduce graffiti. Look what was done with metal theft.

In 2012, this crime was occurring at unprecedented levels. Today, reports of metal theft in Tucson are below 2010 levels – and more than 2.5 million dollars below where they were in 2012. Congratulations to TPD and their business and community partners, including metal recyclers and the Pima County Metal Theft Task Force.

Abating graffiti prevents blight. Planting trees adds beauty.

With help from Tucson Clean & Beautiful's Trees for Tucson program, its sponsors, and participating Tucsonans, we planted our 10,000th tree at Oyama Elementary School and started on our next 10,000 trees at Rincon High. Trees provide shade, cool buildings, and reduce energy demand. They lift property values and even hope, renewing pride in our community.

CIVIC OPPORTUNITY

From social opportunity to civic opportunity – turning opportunity into results at the municipal level.

City staff did an excellent job managing renovations at the TCC, with 7.8 million dollars contributed by Rio Nuevo and one million dollars by the city. A much-needed change for the better. Please, visit the arena. You'll be pleasantly surprised.

City Golf and the Tucson Convention Center are under new management – City Golf with OB Sports and the TCC with SMG. Both bring specialized expertise. OB Sports manages golf courses nationwide and SMG manages entertainment and convention venues worldwide. So far, results from both are encouraging.

When you look for opportunity, you find new ways of doing things. Sometimes asking, "What if ..." can get you results you never thought possible.

The City of Tucson already takes our full allocation of CAP water and banks what we don't use in the ground – giving us a buffer against prolonged periods of drought.

Last year, we entered into an agreement with the City of Phoenix, where Phoenix banks some of its CAP water in Tucson's well field at our SAVSARP facility. If a shortage was declared, we would use some of their banked CAP water and they would use some of our CAP allocation.

This is a pilot program. If everything works out, Phoenix funds expansion of our facility, so we can bank more water. Tucson gets a higher water table, which means we spend less to pump water to our customers. Everybody wins. Both cities have greater water security. Both cities have lower costs. Regional cooperation yields results.

Tucson Water also finished construction of an Advanced Oxidation Process Water Treatment Facility last year – part of our commitment to provide safe, reliable drinking water throughout our service area.

We're setting goals for conservation at city-owned properties, using enterprise software called TUMS, Tucson Utility Management System. TUMS will help monitor water and energy use and track progress toward our goals – a two percent reduction in use each year over the next five years.

Businesses can also benefit from conservation.

Next month, our office is partnering with Tucson Electric Power, Tucson Water, and the business community to host an Energy Efficiency Workshop for businesses. Participants will hear from local businesses how they cut costs by improving facilities, and learn about programs and financing that can help with efficiency improvements. What businesses do with the savings is up to them.

An opportunity I've talked about before is annexation – bringing back more of the tens of millions in state-shared revenue we lose each year by failing to annex or incorporate.

The City of Tucson completed seven annexations last year – estimated to bring more than 39 million dollars to our community over 10 years. Part of that was by the airport, giving us the ability to offer city incentives to businesses that want to develop that land for manufacturing and logistics – prime industrial properties at the center of our logistics hub.

Sometimes, opportunity requires structural change.

A citizens committee has been reviewing Tucson's City Charter, which hasn't been updated in years. The consultant facilitating their work, Raphael Sonenshein, has worked on a number of these projects – most notably, revising the Los Angeles City Charter in 1999.

Of the committee's recommendations, the most important, to me, is that we raise the city's bonding capacity.

State law limits a city's bonding capacity, but Tucson's City Charter sets much lower limits, making us dependent on other jurisdictions for capital improvements. If we didn't have this limit in our Charter, we'd be able to do what other Arizona cities are able to do. We'd have an

additional 600 million dollars or so in bonding capacity – to fix our streets, and for other projects.

Any bond, of course, would still have to be approved by voters. But we don't need to set limits lower than other cities in Arizona – lower than what the state allows – on our ability to invest in our own community.

CONCLUSION

Last year, Tucson was in the running for a project that surprised a lot of folks. While we did not ultimately add Tesla as a 6th T of our economy, with good cooperation between the city, county, TREO, Tucson Electric Power, and others, we put together a strong proposal – and we gained visibility with site selectors nationally for Tucson's very real strengths in technology, transportation, and trade. You don't always win when you pursue opportunity, but, almost always, you accomplish something worthwhile.

It's a competitive world. We can swing for the fences – a Tesla – or we can hit singles. Lots of them. But however we get there, nobody should be on the bench. Everybody should be in the game – business, government, nonprofits – each and every Tucsonan. That's making the most of opportunity. That's how we turn opportunity into results.

People tend to find whatever it is they're looking for. Look for problems, shortcomings, someone to blame – and you'll find them. Look for opportunities, solutions, someone to help – and you'll find those, too. Ask yourself: Which would you rather find?

Connect yourself with opportunity. Connect others with opportunity.

Thank you for all you do for Tucson. And, thank you for allowing me the great privilege of serving as your mayor.